

## **Narrative Summary for Waiver Amendment Request**

The TennCare program is a special demonstration program (“waiver”) approved by the federal government. The state seeks amendments to the demonstration from time to time for the purpose of addressing specific issues. Amendment 25 is being proposed for the purpose of introducing a new two year pilot project called Insure Tennessee.

Insure Tennessee has grown out of the state’s payment and delivery system reform initiative, which was launched by Governor Bill Haslam in 2013 to shift health care spending toward paying for value rather than paying for volume. This initiative creates financial incentives for providers to furnish high quality care in an efficient and appropriate manner so as to reduce costs and improve health outcomes. Recently Tennessee was awarded a \$65 million State Innovation Models (SIM) grant from the Centers for Medicare and Medicaid Services to further support the goal of making health care in Tennessee a value-based system focused on efficiency, quality of care, and the patient experience.

Insure Tennessee is building on this reform initiative by creating new participant incentives that align with existing provider incentives. Insure Tennessee is designed to align incentives at the consumer level by promoting personal responsibility so that both patient and provider will be working toward the common goal of improved health outcomes. Insure Tennessee will not only provide coverage for low-income Tennesseans, but it will also prepare these members for a transition to private market coverage by promoting participant engagement and personal responsibility and by incentivizing appropriate use of the health care system.

Insure Tennessee is being developed as an alternative approach to serve the optional Medicaid population defined in Section 1902(a)(10)(A)(i)(VIII) of the Social Security Act. Individuals in this population are between the ages of 19 and 64, are not otherwise eligible for Medicaid, and have family incomes that do not exceed 138 percent of the federal poverty level (approximately \$16,000 in annual income for an individual or \$33,000 for a family of four). These individuals are usually referred to as “Newly Eligibles.”

The program design for Insure Tennessee involves first dividing the Newly Eligibles into two age groups: (1) those ages 19 and 20, and (2) those ages 21-64. Persons in the first group, who are considered children under Medicaid, will be enrolled in TennCare and will receive all benefits available to them under that program.

Insure Tennessee will take a different approach for Newly Eligible adults ages 21 to 64. These persons will have their choice of two plans: The Volunteer Plan and the Healthy Incentives Plan. The state will provide options counseling to assist those needing help in making a decision about which program to choose. Newly Eligibles who enter Insure Tennessee at 19 or 20 years of age will move into the adult program when they turn age 21.

**Volunteer Plan.** The Volunteer Plan will be for individuals with access to qualifying private insurance. In the first year of the program, private insurance will be limited to Employer-Sponsored Insurance, or ESI. Insure Tennessee will provide a “defined contribution” to cover the individual’s portion of the premiums in his ESI plan, as well as some or all of his deductibles and copays. The individual will be responsible for any costs that are not covered by the defined contribution. This assistance will enable the enrollee to obtain needed health care that might otherwise be unaffordable to him and will also encourage him to maintain his employment.

In order to ensure cost-effectiveness, the defined contribution plus any other expenditures the state makes for the individual will always be lower than the average per-person expenditure in the Healthy Incentives program (described below) for individuals with similar characteristics. TennCare benefits not covered by the ESI will not be “wrapped” for Volunteer Plan participants, since enrollees have their choice of plans.

**Healthy Incentives Plan.** The second option for Newly Eligibles ages 21-64 is the Healthy Incentives Plan. This plan will cover TennCare benefits and will serve as the Alternative Benefit Plan defined at 42 CFR § 440, Subpart C. Members with incomes that exceed the federal poverty level (approximately \$1,000 per month for an individual, and \$2,000 per month for a family of four) will be required to pay premiums and copays on certain services. The premiums will be indexed to 2 percent of the Federal Poverty Level (about \$20 per person per month in 2014 dollars). The copays will apply to inpatient admissions, outpatient services, and non-emergency use of the Emergency Department. In addition, there are pharmacy copays that are applicable to persons at all income levels. All of the above copays will be enforceable for members with incomes above the poverty level, meaning that a provider may deny services to an enrollee who does not pay his copay.

An innovative new feature of the Healthy Incentives Plan is the HIT (Healthy Incentives for Tennesseans) Account. Each member will have a HIT account with a certain amount of credits to which he may add by undertaking healthy behaviors. The member can then use the credits in his HIT account to assist him in paying his premiums and copays. One purpose of the HIT account is to incentivize the enrollee to develop behaviors that will not only improve his health but will also lead to reduced health care costs. Another purpose is to prepare the enrollee for the transition to private insurance that will occur when his income increases.

Insure Tennessee will require federal approval, and this waiver request is contingent upon authorization of the Tennessee General Assembly. It is expected that program expenditures will be matched with 100 percent federal dollars through December 31, 2016. On January 1, 2017, the federal match rate will adjust to 95 percent.

Tennessee hospitals have committed to supporting Insure Tennessee through an increase in a state assessment on hospitals, so there will be no impact on the state budget even when the federal match rate declines.

**Insure Tennessee will end if either of the following events occur: (1) the federal match rate available for the program is reduced below the amount available under ACA as it exists on January 1, 2015; or (2) revenues available from the assessment on hospitals fails to cover any remaining state share of expenditures in the event of a reduction in the federal match rate.**